

Annual

Report

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INTERSTATE DEPARTMENT STORES, INC.

INTERSTATE DEPARTMENT STORES, INC.

DIRECTORS

SAMUEL J. ABEND	HAROLD F. LINDER
ROBERT S. ADLER	BENJAMIN W. MAYER
SOL W. CANTOR	ALBERT PARKER
CHARLES E. FEDERMAN	HERBERT J. REEVES
PAOLINO GERLI	MURRAY D. SAFANIE
R. C. KRAMER	HAROLD J. SZOLD

OFFICERS

<i>Chairman of the Board</i>	R. C. KRAMER
<i>President</i>	SOL W. CANTOR
<i>Vice President</i>	SAMUEL J. ABEND
<i>Vice President</i>	BARRY GOLDEN
<i>Treasurer</i>	GEORGE H. STUNTZ
<i>Secretary</i>	ALBERT PARKER
<i>Assistant Treasurer and Assistant Secretary</i>	EDWARD C. SCHENKEL

<i>Transfer Agent</i>	THE CHASE MANHATTAN BANK	New York
<i>Registrar</i>	MANUFACTURERS TRUST COMPANY	New York
<i>General Counsel</i>	PARKER, CHAPIN AND FLATTAU	New York
<i>Public Accountants</i>	S. D. LEIDESDORF & Co.	New York
<i>Executive and General Offices</i> ...	111 EIGHTH AVENUE	New York

SUMMARY OF 1954

	Years Ended January 31	
	<u>1955</u>	<u>1954</u>
Sales	\$62,902,735	\$63,865,792
Net Income Before Taxes	1,980,971	1,829,839
Net Income After Taxes	1,078,881	1,032,710
Earnings Per Share	3.51	3.36
Dividends Paid Per Share	2.50	2.50
Long Term Debt	5,951,345	4,875,206
Working Capital	13,340,119	11,662,804
Stockholders' Equity Per Share	44.46	43.45
Current Ratio	4.2 to 1	3.4 to 1

April 26, 1955

To the Stockholders of

INTERSTATE DEPARTMENT STORES, INC.

The Summary on the preceding page highlights your Company's operations for the year 1954.

EARNINGS: Earnings in 1954 were \$1,078,881 or \$3.51 per share compared with \$1,032,710 or \$3.36 per share in 1953. There were several unusual items of a non-recurring nature in last year's accounts but the net effect of these items had no material effect on the total result.

SALES: Sales of \$62,902,735 were 1.5% lower than last year. This decrease came entirely in the first three-quarters of the year. Sales for the fourth quarter of the year were 3.7% higher than the previous year.

BUILDING EQUIPMENT AND FIXTURES: During the past year approximately \$500,000 was spent in further improving the buildings and fixtures of our stores. In addition, a substantial sum was expended for normal maintenance. This program will be continued in 1955.

On January 24, 1955, a new, air conditioned store was opened in Paducah, Kentucky. It is the largest and most modern store in western Kentucky. It replaces the temporary store in smaller quarters occupied as a result of the destruction by fire of the main store in Paducah, January, 1953.

Under present plans for 1955, capital expenditures will not be in excess of the annual charge for depreciation and amortization.

WORKING CAPITAL: Working capital increased \$1,677,315 at year end. Of this amount, \$1,075,000 resulted from an increase in debt due after one year.

The ratio of current assets to current liabilities has been increased to 4.2 to 1 from 3.4 to 1 in 1953.

Accounts receivable, consisting almost entirely of time payment accounts, show a decrease of \$405,000. Collections on installment accounts continue to be satisfactory.

DIVIDENDS: Dividends of \$2.50 per share were paid on Common Stock during the year. The regular quarterly dividend of 62½¢ per share for the first quarter of the current fiscal year was paid on April 15, 1955.

STOCKHOLDERS' EQUITY has again increased from \$43.45 per share last year to \$44.46 per share at January 31, 1955.

GENERAL: Substantial progress has been made in recent years in improving management and in improving our stores physically. Our organization and our stores generally are today in good condition.

Management is now aggressively looking for opportunities for profitable expansion in new and additional stores. Several are currently under consideration. We believe that continued improvement in our present stores and benefits that will come from such additional stores as we may acquire, warrant an optimistic outlook for your Company.

Your directors wish to express their appreciation to the entire organization for their cooperation and loyalty during the past year.

For the Board of Directors,

R. C. KRAMER, *Chairman*

SOL W. CANTOR, *President*

INTERSTATE DEPARTMENT and Subsidiaries

CONSOLIDATED BALANCE SHEET

	ASSETS		
	1955		1954*
CURRENT ASSETS:			
Cash on hand and in banks	\$ 615,386		\$ 706,683
Short-term investments (including United States Treasury bills— net) at cost, plus accrued interest	610,074		
Accounts receivable:			
Customers	\$ 5,213,417	\$ 5,619,238	
Less: Reserves	504,168	4,709,249	5,081,730
Other		199,766	288,090
Merchandise inventories (Note A)	11,156,557		10,125,704
Less: Reserve to reduce merchan- dis inventories at cost as de- termined on the "last-in, first- out" basis to the lower of cost or market	199,293	10,957,264	67,203
Prepaid expenses		366,024	306,937
Total Current Assets		17,457,763	16,441,941
OTHER ASSETS		10,572	13,306
FIXED ASSETS—at cost:			
Land and buildings (subject to mort- gages—per contra)	\$ 330,729	\$ 431,852	
Less: Reserves for depreciation	73,886	62,476	
	\$ 256,843	\$ 369,376	
Furniture and equipment	\$ 5,007,735	\$ 4,800,641	
Less: Reserves for depreciation	2,102,967	1,743,125	
	\$ 2,904,768	\$ 3,057,516	
Leaseholds and leasehold improve- ments	\$ 3,687,997	\$ 3,860,572	
Less: Reserves for amortization	739,799	817,779	
	\$ 2,948,198	6,109,809	6,469,685
DEFERRED CHARGES		246,243	200,857
		<u>\$23,824,387</u>	<u>\$23,125,789</u>

* Reclassified for co

The Notes to Financial Statements are an integral part of

MENT STORES, INC.

ry Companies

AS AT JANUARY 31, 1955-1954

LIABILITIES

	1955	1954*
CURRENT LIABILITIES:		
Notes payable—current installments (Note B)	\$ 140,000	\$ 140,000
Accounts payable—trade	2,388,156	2,109,818
Accrued expenses and sundry other liabilities	1,040,398	995,224
Taxes withheld and accrued, other than Federal taxes on income	549,090	518,377
Accrued Federal taxes on income	\$ 887,864	\$1,015,718
Less: United States Treasury bills—at cost	887,864	—
Total Current Liabilities	4,117,644	4,779,137
LONG-TERM DEBT:		
Notes payable (Note B)	\$5,780,000	\$4,670,000
Mortgages payable	171,345	5,951,345
Total Liabilities	10,068,989	4,875,206
DEFERRED INCOME — CARRYING CHARGES	84,847	9,654,343
STOCKHOLDERS' EQUITY (Notes B and C)	13,670,551	111,014
LEASE COMMITMENTS (Note D)		
	<u>\$23,824,387</u>	<u>\$23,125,789</u>

mparative purposes.

this statement and should be read in conjunction herewith.

INTERSTATE DEPARTMENT STORES, INC.
and Subsidiary Companies
CONSOLIDATED STATEMENT OF EARNINGS
For the Year Ended January 31, 1955-1954

	1955	1954*
NET SALES:		
Owned departments	\$55,511,728	\$56,317,208
Leased departments	7,391,007	7,548,584
	<u>62,902,735</u>	<u>63,865,792</u>
COST OF SALES, operating and administrative expenses, including depreciation and amortization of \$737,944 for 1955 and \$754,097 for 1954	60,961,665	61,986,950
	<u>1,941,070</u>	<u>1,878,842</u>
OTHER INCOME—net (including, in 1955, \$67,327 representing adjustment of supplies inventories to conform to Federal income tax treatment)	266,666	207,158
	<u>2,207,736</u>	<u>2,086,000</u>
INTEREST EXPENSE	226,765	256,161
NET EARNINGS BEFORE FEDERAL TAXES ON INCOME	1,980,971	1,829,839
PROVISION FOR FEDERAL TAXES ON INCOME, less, in 1955, adjustments relating to prior years	770,000	752,000
NET EARNINGS	<u>1,210,971</u>	<u>1,077,839</u>
SPECIAL ITEM:		
Provision to reduce merchandise inventories at cost as determined on the "last-in, first-out" basis to the lower of cost or market	132,090	45,129
NET EARNINGS AND SPECIAL ITEM	<u>\$ 1,078,881</u>	<u>\$ 1,032,710</u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Year Ended January 31, 1955-1954

	1955	1954
EARNINGS RETAINED FOR USE IN THE BUSINESS AS AT BEGINNING OF YEAR	\$ 9,902,993	\$ 9,639,063
NET EARNINGS AND SPECIAL ITEM	1,078,881	1,032,710
	<u>10,981,874</u>	<u>10,671,773</u>
CASH DIVIDENDS PAID	768,762	768,780
EARNINGS RETAINED FOR USE IN THE BUSINESS AS AT END OF YEAR	10,213,112	9,902,993
CAPITAL SURPLUS (no change during the year)	1,918,058	1,918,058
COMMON STOCK (stated at par value of \$1 per share since May 27, 1953, plus \$1,271,306 retained as Capital by resolution of the Board of Directors—no par value prior thereto)—(Note C)		
Authorized 500,000 shares		
Issued <u>308,946</u> shares	1,580,252	1,580,252
	<u>13,711,422</u>	<u>13,401,303</u>
Less—1,446 shares of Common Stock held in treasury—at cost	40,871	40,871
STOCKHOLDERS' EQUITY (Notes B and C)	<u>\$13,670,551</u>	<u>\$13,360,432</u>

* Reclassified for comparative purposes.

The Notes to Financial Statements are an integral part of these statements and should be read in conjunction herewith.

INTERSTATE DEPARTMENT STORES, INC.
and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS

As at January 31, 1955

Reference is made to the Annual Report for the year ended January 31, 1954 for notes and comments pertaining to financial statements as at that date.

NOTE A—Merchandise inventories include merchandise in transit amounting to \$971,094 as at January 31, 1955 based on specific invoice cost.

Merchandise inventories at stores are based on the retail method at (a) cost as determined on the "last-in, first-out" basis, or (b) the lower of cost or market after provision for markdowns based on age of merchandise.

Merchandise inventories at warehouses are priced at the lower of cost or replacement market.

NOTE B—Notes payable as at January 31, 1955 are due to:

Bank	\$2,500,000
Insurance company	3,420,000
	<u>\$5,920,000</u>

The bank loan is payable in annual installments of \$500,000 on November 1, 1957, 1958 and 1959, and a final installment of \$1,000,000 on November 1, 1960. Interest is payable quarterly at an annual rate of not less than $2\frac{1}{2}\%$ nor more than $3\frac{3}{4}\%$, determined as prescribed in the credit agreement under which the loan was granted.

The notes payable to an insurance company in the amounts of \$2,550,000 and \$870,000 require annual payments as follows: on the first note, \$75,000 in 1955, \$200,000 from 1956 through 1958, \$325,000 in 1959, \$350,000 from 1960 through 1962 and \$500,000 in 1963; on the second note, \$65,000 from 1955 through 1966, inclusive, and \$90,000 in 1967.

The loan agreements with the insurance company and the bank credit agreement contain, among other things, restrictions on the right of the Company to declare dividends (other than stock dividends) and reduce its capital stock, including, with respect to the insurance company loan agreements, a requirement that, after giving effect to the payment of such dividends, there are prescribed ratios of consolidated net current assets and of consolidated net tangible assets to consolidated funded debt. As at January 31, 1955, approximately \$2,850,000 of the consolidated surplus of \$12,131,170 is not subject to the aforementioned restrictions contained in the agreements.

NOTE C—A stock option plan for officers and key employees of the Company and its subsidiaries authorized the granting of options to purchase not in excess of 25,000 shares of the Common Stock of the Company. Options for the purchase of 8,000 shares at \$31.5875 per share and 2,500 shares at \$27.43125 per share, granted in prior years, are outstanding at January 31, 1955, none of which have been exercised.

NOTE D—At January 31, 1955, the minimum annual rentals upon real property leased to the Company or to its subsidiaries under 54 leases expiring after January 31, 1958 amount to approximately \$1,130,000, plus, in certain instances, real estate taxes, insurance, etc.

GENERAL—The accompanying financial statements are subject to final determination of Federal, state and local taxes.

S. D. LEIDESDORF & CO.

Certified Public Accountants

ACCOUNTANTS' REPORT

To the Board of Directors

INTERSTATE DEPARTMENT STORES, INC.

New York, N. Y.

We have examined the consolidated balance sheet of Interstate Department Stores, Inc. and subsidiary companies as at January 31, 1955 and the related consolidated statements of earnings and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and stockholders' equity, together with the notes to financial statements, present fairly the consolidated financial position of Interstate Department Stores, Inc. and subsidiary companies at January 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y.

April 8, 1955

LOCATION AND NAME OF STORES

CONNECTICUT

New Haven Stanley's

ILLINOIS

Aurora Aurora Dry Goods Co.

Belleville Carroll House

Decatur Decatur Dry Goods Co.

Peoria Peoria Dry Goods Co.

Rockford Rockford Dry Goods Co.

Springfield Springfield Dry Goods Co.

Waukegan Waukegan Dry Goods Co.

INDIANA

Anderson Hill's

Evansville The Evansville Store

Evansville Economy Department Store

Fort Wayne Grand Leader

Marion Hill's

Muncie Stillman's

South Bend Grand Leader

Vincennes Hill's

IOWA

Davenport Hill's

Des Moines Hill's

KENTUCKY

Louisville Jefferson Dry Goods Co.

Paducah Paducah Dry Goods Co.

MICHIGAN

Battle Creek Grand Leader

Flint The Fair

Jackson Stillman's

Lansing Lansing Dry Goods Co.

Port Huron Carroll House

NEW YORK

Troy Stanley's

Utica Boston Store

OHIO

Akron Federman's

Springfield Boston Store

PENNSYLVANIA

Reading Read's

Williamsport Carroll House

York Stillman's

SOUTH CAROLINA

Anderson Baile's

TENNESSEE

Knoxville The Knox

VIRGINIA

Staunton Carroll House

WEST VIRGINIA

Huntington Huntington Dry Goods Co.

WISCONSIN

Fond du Lac.. Fond du Lac Dry Goods Co.

Green Bay Hill's

Madison Hill's

Milwaukee Hill's

Racine Racine Dry Goods Co.

Sheboygan Hill's Department Store

West Bend Carroll House

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